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PUC PROJECT NO. 52373

REVIEW OF WHOLESALE ELECTRIC MARKET DESIGN	**§**	**BEFORE THE PUBLIC UTILITY COMMISSION OF TEXAS**

LOWER COLORADO RIVER AUTHORITY'S COMMENTS ON DEMAND RESPONSE

TO THE HONORABLE PUBLIC UTILITY COMMISSION OF TEXAS:

In lieu of responses to the posted questions for the September 16, 2021 Work Session on demand response, the Lower Colorado River Authority (LCRA) offers the following high-level comments for the Commission's consideration:

- LCRA supports demand response and its role in improving grid reliability. ERCOT has sophisticated load response programs that rank well compared to other Independent System Operators (ISOs). These programs are designed to enable demand resources to provide ancillary services, mitigate small imbalances between supply and demand, and respond to pricing signals. During Winter Storm Uri, some loads were price responsive and did reduce demand, but demand response programs are insufficient to mitigate the impacts of such an extreme weather event.

- A key to successful deployment of demand response is accurate measurement and verification of when load reductions can be anticipated and measured to improve reliability of the grid. The California ISO is currently examining different methodologies to account for demand response, including methodologies that would better capture the variable nature of demand response availability. LCRA recommends that ERCOT perform a similar study for summer peak hours, as well as high impact low probability events (like Winter Storm Uri).

    - Policy decisions should be informed by best practices among other ISOs. A performance-based penalty or incentive mechanism could be particularly relevant for demand response resources because of the difficulty of determining in advance whether a new demand response resource—or an existing provider that is selling current capacity—is capable of delivering load curtailment in critical hours equal to the quantity of resource adequacy capacity that a dispatchable generation resource has provided.

    - It is imperative to define the characteristics of different demand response program types before any new programs are implemented, based on:

        - The quality of the response they can provide in terms of certainty, magnitude, duration, and speed;

- How robustly they adapt to changing conditions (e.g., increases in wind and solar penetration);
- The technical requirements to establish the program, including implementation timelines and cost to implement; and
- The level of visibility ERCOT has to manage and control during critical periods.

- Any additional demand response programs created and administered by the Commission, and any changes to demand response that are deployed by ERCOT under a "command and control" framework, must not have unintended impacts to the existing market design (e.g., by suppressing market prices or dampening investment in future dispatchable generation).

- LCRA believes that the existing market design incentivizes demand response from consumers who are capable of responding to high market prices. LCRA recommends that any potential future enhancements or additional programs target consumers who are not already reducing their consumption as a result of responding to high market prices or Four Coincident Peak (4CP) days.

- LCRA will review and address any specific new demand response proposals at an appropriate time in the future.

Respectfully submitted,

Emily R. Jolly
State Bar No. 24057022
Vice President, Regulatory Affairs &
Associate General Counsel
Lower Colorado River Authority
P.O. Box 220
Austin, Texas 78767-0220
Telephone No.: (512) 578-4011
Facsimile No.: (512) 473-4010

Emily R. Jolly